



MOTOR FUELS UPDATE




Volume 9, Edition 3

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REPORTING CHANGES

Effective January 1, 2000, your reporting of gasoline, gasohol, ethanol, and diesel fuel tax will change. This change resulted from legislation passed during the 1999 legislative session.

Beginning on January 1, 2000, **diesel fuel will be taxed in the same manner as gasoline and gasohol.** This has allowed us to consolidate the two reporting forms (Forms 81 and 91) into the new **Nebraska Motor Fuels Tax Return, Form 73.** If you are licensed for either gasoline/gasohol, ethanol, or diesel, you will file this return beginning with tax month January 2000. **The Form 73 also provides for reporting even dollars. Taxes and commissions will be rounded to the nearest dollar.**

As a result of redesigning the reporting form, minor changes were also made to the accompanying schedules, Forms MFR and MFD. We added a new schedule code (Schedule Code 10) to allow the reporting of tax-free sales to native Americans residing on a reservation. We also added a product code for undyed kerosene (Product Code 142) to allow the reporting of kerosene being blended with undyed diesel.

Finally, because diesel will be taxed in the same manner as gasoline, tax must be paid on your December 31, 1999, ending physical inventory of undyed diesel. A reporting form has been developed and will be sent to diesel fuel licensees in mid-December. Please refer to the article on page three.

Detailed discussions of the new reporting form are being developed and will be distributed to the following groups:

✓ Software Development Guide Users

The guide has been revised to incorporate these changes. A detailed discussion of the changes has

been sent to each current filer via e-mail while the revised guide has been posted on our web site, <http://www.nol.org/revenue/fuels/fuels.htm>.

✓ Diskette Filers

Current diskette filers will be provided a new diskette program in mid-December. This program will allow you to file the new Form 73 in addition to all other motor fuel tax programs. You will use it to file your returns and reports beginning with the January, 2000 tax period.

Significant modifications have been made to this program. It is now Windows-based making it much more flexible and user-oriented than our current program. As such, it will no longer operate on a DOS based system and requires a Windows95 or greater environment.

A detailed discussion of the changes, accompanied by a sample copy of the new Form 73, will be mailed to each current diskette filer during the week of November 29th.

✓ Paper Filers

A detailed discussion of the changes, accompanied by a sample copy of the new Form 73, will be mailed to each current paper filer during the week of November 29th.

As you review this material, you are encouraged to contact your account representative who will be happy to step through these filing changes with you.

I N S I D E

- *Refund Claims*
- *Audits*
- *Ethanol Production Credit*
- *Diesel Fuel Floor Stock Tax*

REFUND CLAIMS

Refund claims processed during the period of July 1, 1998 through June 30, 1999 are summarized here. During this period, we processed 1,785 claims resulting in a total of \$2,156,921. During the previous fiscal year, we processed 1,689 claims resulting in a total refund of \$1,827,071.

DOLLAR AMOUNT REFUNDED

	Gas/Gasohol	PRF	Diesel	Aircraft	Total
Agriculture Related	\$0	\$0	\$105,189	\$0	\$105,189
Agriculture – Form 84AG	0	0	645,885	0	645,885
Blending Error (contaminated fuel)	1,641	0	7,792	224	9,657
Construction	0	0	285,541	0	285,541
Equipment (loader, etc)	0	0	100,084	0	100,084
Ethanol Production	0	74,036	0	0	74,036
Exported Fuel	5,284	16,034	134	872	22,324
Federal Government	43,096	165	13,681	801	57,743
Generation of Electricity	0	0	173,466	0	173,466
Government (counties, cities, etc)	0	0	87,393	0	87,393
Home Heating	0	0	1,756	0	1,756
Motor Vehicle Fuels Used as Aviation	5,525	0	0	0	5,525
Native American	2,154	0	404	0	2,558
Reefer	0	0	345,037	0	345,037
Sand & Gravel, etc.	0	0	69,837	0	69,837
Other	8,996	0	161,894	0	170,890
Totals	\$66,696	\$90,235	\$1,998,093	\$1,897	\$2,156,921

AUDITS

These tables summarize the audits completed by our auditors since Motor Division's inception in July 1991. The large increase in dollars assessed in 1993/1994 for both gasoline and diesel resulted from one audit.

NUMBER OF AUDITS BY TAX PROGRAM BY FISCAL YEAR

Tax Program	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99
Consumer's Use	0	8	7	8	13	6	0	0
Liquid Fuel Carriers	0	0	0	0	2	4	5	3
Motor Vehicle Fuels	1	8	38	36	45	45	63	54
PRF	0	2	25	21	26	34	41	30
Aircraft Fuels	0	1	7	5	6	9	15	4
Compressed Fuels	0	0	0	2	13	13	19	27
Gas Tax Credit	0	8	6	4	6	6	2	5
Retailers	0	0	0	0	8	13	12	11
Sp Fuels/Diesel	9	50	65	64	63	56	62	65
Totals	10	77	148	140	182	186	219	199

TAX ASSESSED BY FISCAL YEAR

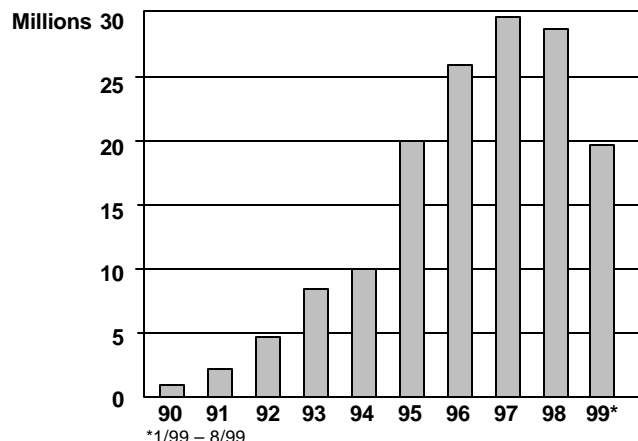
Tax Program	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99
Consumer's Use	\$0	\$12,405	\$(50)	\$(21,629)	\$118,906	\$14,029	\$0	\$0
Liquid Fuel Carriers	0	0	0	0	0	0	0	0
Motor Vehicle Fuels	0	63,907	1,102,737	53,849	44,959	225,560	312,496	230,231
PRF	0	1,684	20,993	26,173	92,732	10,840	7,657	(4,643)
Aircraft Fuels	0	0	3,604	0	(1,386)	919	(405)	4,460
Compressed Fuels	0	0	0	0	0	10,908	705	15,437
Gas Tax Credit	0	6,685	(132)	3,318	12,145	(191,385)	66	(64,247)
Retailers	0	0	0	0	0	0	(3,590)	13,341
Sp Fuels/Diesel	41,409	80,864	1,676,642	275,150	284,521	184,519	56,892	120,946
Totals	\$41,409	\$165,545	\$2,803,794	\$336,861	\$551,877	\$255,390	\$373,821	\$315,525

This table shows the gallons and dollars reported on taxpayer returns. It does not reflect refunds, audits, etc.

Year	GASOLINE & GASOHOL		DIESEL	
	Gallons	Tax	Gallons	Tax
1988	772,194,253	\$131,693,157	188,052,766	\$33,780,707
1989	772,211,986	142,025,999	191,620,212	38,470,142
1990	763,623,635	148,015,125	189,764,993	41,410,055
1991	739,779,599	171,413,194	184,069,676	44,457,323
1992	756,633,169	167,247,079	204,081,641	47,123,036
1993	780,044,137	180,456,542	218,053,008	51,580,674
1994	756,064,292	178,484,240	228,490,205	55,638,287
1995	825,530,818	195,946,147	248,461,579	59,863,691
1996	823,709,762	205,852,173	257,268,846	65,652,081
1997	836,837,567	202,761,093	288,032,081	71,182,594
1998	855,601,075	196,488,973	316,847,281	74,253,585

ETHANOL PRODUCTION CREDIT

The refund section of our division also processed claims for the Nebraska Ethanol Production Credit. These monthly claims establish the amount of the production credit earned by the ethanol producers



and assigned by them to the various Nebraska motor vehicle fuels tax licensees.

Ethanol production in Nebraska has dramatically increased over the past several years. By 1996, six plants were producing ethanol. As you know, ethanol producers receive a 20-cent per gallon credit on the first 25 million gallons of ethanol they produce in Nebraska each year. As shown on the graph, the corresponding credits have grown from just over **\$1,000,000** in **1990** to just under **\$30,000,000** in **1997**. The **1999 credits through August of this year** have already surpassed **\$19,000,000**. The total credits issued for 1999 are projected to be less than those allowed in 1998, as some ethanol plants reach the end of the period for which they are eligible for production credit.

DIESEL FUEL FLOOR STOCKS TAX

The 1999 Legislature changed the point at which undyed diesel is taxed in Nebraska. **LB143** results in **undyed diesel being taxed in the same manner as motor vehicle fuels (gasoline and gasohol) upon receipt, as opposed to upon its ultimate sale**. This change will become **effective January 1, 2000**.

Because your December 31, 1999, inventory of undyed diesel is tax free, that inventory must become tax paid to bring it into compliance with the new requirements of LB143. This law requires your December 31, 1999, ending physical inventory to be tax paid as of January 1, 2000; however, it further provides that you may defer remitting that tax until July 1, 2000.

A **Nebraska Floor Stocks Tax Return, Form 96**, will be forwarded to you in mid-December, 1999. This form allows you to calculate the diesel fuel tax due on your December 31, 1999, physical inventory. The physical inventory subject to the floor stocks tax is the number of gallons you reported as your ending inventory on Line 5 of your December, 1999, **Nebraska Diesel Fuel Tax Return, Form 91**.

LB143 did not affect dyed diesel. Diesel fuel properly dyed in accordance with IRS regulation remains tax free.

If you have any questions regarding this matter, please contact your account representative.

★ ★ ★ ★ ★ CONGRATULATIONS ★ ★ ★ ★ ★

Gene Nilan was honored as the **Motor Fuels Manager of the Year**. Gene's nomination stated that "*Gene's positive and friendly attitude has a highly beneficial effect on all members of the Division.*" Further, "*Gene's writing and communication skills are highly developed and he is always willing to assist others in this area.*" Gene has been with the Department of Revenue for 25 years and transferred to the Motor Fuels Division in November, 1994.

Rick Kitten was honored as the **Motor Fuels Employee of the Year**. Rick is an auditor assigned to the Lincoln audit staff. Rick was recognized for his thoroughness in audits and assisting taxpayers by suggesting changes in the compliance of keeping records for motor fuels tax reporting. Rick has been with the Motor Fuels Division for 8 years.

NEBRASKA TAXPAYER BILL OF RIGHTS

September 22, 1999, **Governor Mike Johanns** and **Tax Commissioner Mary Jane Egr**, announced the revision and release of the Department of Revenue's **Taxpayer Bill of Rights** and **Mission Statement**.

The **Mission Statement** is "Our mission is to serve the public by administering the state revenue laws with integrity, efficiency and consistency."

The **Nebraska Taxpayer Bill of Rights** addresses:

- ◆ Confidentiality of Taxpayer Information
- ◆ Freedom from Red Tape
- ◆ Statement of Taxpayer Rights and Responsibilities
- ◆ Taxpayer Education and Information Programs
- ◆ Due Process of Law
- ◆ Reliance on Written Advice from the Department
- ◆ Installment Payments of Tax Liabilities
- ◆ Fair Collection Process
- ◆ Professional Treatment by Department Employees
- ◆ Continual Review

To receive a copy of the Taxpayer Bill of Rights, please contact your account representative or check the department's web site at www.nol.org/revenue.

MOTOR FUELS TAX

The Nebraska motor fuels tax for July 1, 1999 through December 31, 1999 is **24.1 cents** per gallon.



FOR MOTOR FUELS TAXPAYER ASSISTANCE

Call your account representative or toll free 1-800-554-FUEL (1-800-554-3835).
Lincoln residents call 471-5730.
For *TT (Text Telephone), dial 1-800-382-9309.



*Telecommunication Device for the Deaf (TDD) is designated by the use of "TT," which is consistent with the Americans with Disabilities Act.

OR CONTACT:

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If you have received a duplicate mailing or would like to subscribe, please call 1-800-554-3835

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